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From Bill Casey's File

Two days before Ronald Reagan's election in 1980, campaign manager William J. Casey predicted in a confidential memorandum that President Jimmy Carter would "protect the dignity and honor of the United States" by rejecting Iran's "outrageous" demands for freeing American hostages.

This prescient memorandum by Bill Casey, who died in 1987 after a turbulent six years as CIA chief, should end rampant speculation that he conspired to block the release of 52 U.S. Embassy workers from Iranian jails and thus prevent an "October surprise" that might reelect Carter. Separate Democratic-controlled investigations of these allegations are about to start in the Senate and House.

It would have been difficult for Casey's Nov. 2 memorandum to Reagan and Edwin Meese III, a key Reagan aide, to have used the language it did if campaign operatives had made or were in the process of making a secret deal with the Ayatollah Khomeini to keep the hostages in jail until after the election. A source who was a high official in the Carter administration told us privately he agreed with this conclusion.

Along with several other secret documents made available to us by Sophia Casey, the widow of the flamboyant spy master, the Casey memorandum was discovered only recently in an overlooked government filing cabinet in Washington that had belonged to Casey. The papers were immediately sent to Mrs. Casey.

The heart of Casey's missive to Reagan was an authoritative study by Charles Brower, a former State Department legal adviser, on the complicated "costs and methods," legal and otherwise, facing Carter if he decided to accept stiff Iranian conditions for preelection release of the hostages. The negotiations were being handled by Deputy Secretary of State Warren Christopher.

"In a nutshell," Casey wrote Reagan, "... Carter could assert legal authority to return Iranian assets free of attachments and terminate suits and claims against Iran." But if the president chose to use his "constitutional power" in this way, "such a deal would amount to the deferred payment of ransom of an undetermined amount which would certainly run into several billions."

Closing the lawyerly argument that ruled out this result, Manhattan attorney Casey told Reagan: "So, while this might be doable, the political cost would be enormous. I therefore expect Carter to project a show of strength and protect the dignity and honor of the United States by rejecting these [Iranian] demands as outrageous."

For years, Reagan political and legal advisers have been denying widespread rumors that they secretly negotiated with undercover Iranian operatives to block preelection release of the hostages. An April 15, New York Times article by Gary Sick, a respected Carter National Security Council aide whose NSC specialty was Iran, raised questions about alleged clandestine negotiations by Reagan political aides that might have delayed the hostages' release. The article is now being lengthened into a book.

These allegations have aroused influential Democrats, who believe they have substance and who question whether Carter's inability to get the hostages out until long after the election—on Inauguration Day, 1981—was the result of conspiracy between Republicans and the ayatollah's regime.

Casey's memorandum concluded that Carter would wind up his election campaign continuing to talk about an imminent breakthrough, but that this would not help him politically. "He will be widely perceived as having engaged in a desperate last attempt to manipulate the hostages again for political benefit and to have once more bungled it." He told Reagan that if his analysis proved correct, "we should say very little and leave it that way."

A second memo, this one dated Oct. 19, 1980, from campaign aide Stefan Halper to Meese, laid out a Reagan strategy in the event the hostages were released. That is another sign that, at least up to that point, Reagan and Casey had negotiated nothing to prevent it.

Halper proposed that Reagan's posture should "emphasize" that there were "increasing signs that the hostages' release may be imminent" and should "express his hopes and prayers that the hostages will be coming home soon, even if the day before the election." By generating "expectations" of the hostages' release, "we could dull somewhat the outpouring of enthusiasm to be expected."

Those are scarcely the words of a campaign conspiracy-in-progress designed to keep the hostages in jail until after Nov. 4.

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